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# What does

TRMA

# 20 million

Annual Report

# tires recycled

2000-2001

# mean to you?



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Tire Recycling  
Management  
Association  
of Alberta



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# Letter to the Minister

## I. Letter to the Minister

Honourable Lorne Taylor  
Minister of Environment  
Government of Alberta  
423 Legislature Building  
Edmonton, AB T5K 2B6

Dear Mr. Minister:

On behalf of the Board of Directors of the Tire Recycling Management Association of Alberta, I am pleased to present our Annual Report for the fiscal year April 1, 2000 to March 31, 2001. This is in accordance with Section 4 of the Tire Recycling and Management Regulation (Alta. Reg. 206/96).

Yours truly,

Tire Recycling Management Association of Alberta

A handwritten signature in black ink, appearing to read "S.A. Hinton".

Sid Hinton  
Chairman







# Chairman's Report

## II. Chairman's Report



What does 20 million tires recycled mean to you?

20 million tires recycled can mean a number of things to Albertans:

- The piles of old tires throughout Alberta have been eliminated, and with them the serious fire and environmental hazard they presented.
- There is a recycling solution for the 3 million tires that Albertans discard each year, and these tires are now coming "full-circle" back into Alberta communities in the form of valuable new recycled products worth millions of dollars.
- The TRMA estimates that Albertans have saved over \$125,000,000 by not having to use expensive landfill space to bury 20 million tires (based on total "life-cycle" landfilling costs including siting, approval, construction, operation, closure, reclamation, liability).
- The \$4.00 fee collected on the sale of new tires is being effectively managed to solve Alberta's scrap tire challenge.

The tire recycling program, put in place by the Government of Alberta under then Environment Minister Ralph Klein, is recognized throughout Canada and beyond as a leader in effective environmental stewardship.

Albertans can be proud that they have once again been responsible in doing what it takes to protect, enhance and sustain our environment through wise management.

For the coming year, the top priority of the TRMA Board of Directors is to focus on the next objective of Alberta's tire recycling program - to continue to seek progress towards a more sustainable tire recycling solution and to manage and utilize revenues to that end.

In addition, research and development into new technologies and uses, such as rubberized asphalt and molded rubber products, may present further opportunities for recycling scrap tires in Alberta, throughout Canada, and internationally.

As we look forward into the future, there are many promising uses for Alberta's recycled tires, including:

- rubber crumb used to provide safer playground surfaces, running tracks and artificial turf base.
- rubber paving stones for attractive and long-lasting surfacing material.
- rubber matting providing safe and durable fatigue-resistant flooring for industrial, agricultural and recreational applications; and
- tire shred in leachate collection systems and road bank stabilization.

In 1992, the Government laid the foundation for the success of Alberta's tire recycling program when it put in place the following principles on which the TRMA structure is based:

**A Legislated Fee** - the cost of recycling scrap tires is paid through the Advance Disposal Surcharge (the Surcharge) remitted on the sale of new tires.

**A Segregated Tire Recycling Fund** - the Surcharge is held in a separate fund to ensure that there is full accountability and that funds are used effectively to manage the scrap tire issue in accordance with the legislative mandate.

**A Stakeholder Management Board** - stakeholders that are affected by, or have an interest in and knowledge of the scrap tire issues, are delegated the responsibility to manage solutions for Alberta scrap tires, consistent with government policies and standards.

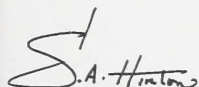
Building on these principles, the TRMA added the following funding strategies to encourage the development of a viable tire recycling industry as the way to best achieve a permanent sustainable solution to Alberta's scrap tire challenge.

**"Pay for Results" Funding** - Tire recyclers are paid for performance based on the amount of tires that are successfully recycled and used. There are no start-up loans, loan guarantees, grants or bailouts.

**"Value-added" Funding** - An incentive structure has been put in place that supports the different stages of the manufacturing process, to encourage value-added processing in Alberta.

Alberta's tire recycling industry continues to develop due to the environmental commitment of the Government of Alberta, and the partnership of TRMA member organizations.

On behalf of the TRMA Board of Directors and administration, I am pleased to present our 2000/2001 Annual report. Please contact us with your comments or if you would like any additional information.



Sid Hinton  
Chairman

# Board of Directors

## III. Board of Directors

Each of the 10 member organizations of the Tire Recycling Management Association of Alberta appoints a representative to the Board of Directors. In 2000/2001, the board consisted of the following individuals and member organizations:

<b>Directors</b>	<b>Association</b>
Sid Hinton (Chairman)	<i>Alberta Association of Municipal Districts and Counties</i>
Jim Kallal (Secretary/Treasurer)	<i>Motor Dealers of Alberta</i>
Ken Albrecht	<i>Alberta Motor Transport Association</i>
Holly Brockmeyer	<i>Recycling Council of Alberta</i>
John Cosco	<i>Western Canada Tire Dealers</i>
Merv Domanko	<i>Environmental Services Association of Alberta</i>
Jillian Flett	<i>Alberta Environment</i>
Myles Kitagawa	<i>Toxics Watch Society of Alberta</i>
Lorne Olsvik	<i>Alberta Urban Municipalities Association</i>
Al Schulz	<i>Association of Professional Engineers, Geologists and Geophysicists of Alberta</i>





(top - left to right) Sid Hinton, Merv Domanko, Myles Kitagawa  
(bottom - left to right) Al Schulz, Jim Kallal, Jillian Flett, Holly Brockmeyer,  
John Cosco, Ken Albrecht, Lorne Olsvik

# Legislative Mandate and Accountability

## IV. Legislative Mandate and Accountability

The Tire Recycling Management Association of Alberta (TRMA) is a not-for-profit association that operates as a "Delegated Administrative Organization" (DAO), accountable to the Alberta Minister of Environment. DAOs allow industry and stakeholders to participate in environmental stewardship initiatives that protect the quality of air, land and water for the benefit and enjoyment of all Albertans.

The responsibilities assigned to the TRMA are directly linked to the mission, core business, goals and strategies of Alberta Environment's Business Plan, as outlined in the following points. In this way, the TRMA forms part of the Ministry's contribution to the Government of Alberta's Business Plan and to the Government's core businesses of People, Prosperity and Preservation.

- **Mission** - The recycling of tires falls directly within the Ministry's mission to "protect, enhance and sustain our environment through wise management . . . to support a healthy environment, a prosperous provincial economy and a high quality of life for Albertans".
- **Core Businesses** - One of the Ministry's core businesses is the management of environmental hazards. The stockpiling of scrap tires has been an environmental hazard, which the TRMA has helped to virtually eliminate.
- **Goals** - The TRMA's mandate and goals align with Goal #1 in the Ministry's Business Plan of protecting and maintaining the high quality of Alberta's air, land and water. Also, the TRMA's tire recycling goals are consistent with the Ministry's Goal #3 to protect and manage Alberta's natural resources and ecosystems for present and future generations.
- **Performance Measures** - With respect to its core businesses and goals, the Ministry has a performance measure of continuous reduction of municipal solid waste to landfills on a per capita basis. The TRMA has contributed to the achievement of this performance measure by diverting from landfills, the three million tires that Albertans discard on an annual basis.





The TRMA is directly accountable to the Minister of Environment, as specified below, and reports annually on the fulfillment of its legislated mandate through the three-year Business Plan, the Annual Budget and the Annual Report.

- **The Environmental Protection and Enhancement Act** (Part 9 - Waste Minimization, Recycling and Waste Management) provides the authority to make scrap tires a "designated material," to collect the Advance Disposal Surcharge on the sale of new tires, to establish an industry-based fund and to delegate to a body the management of the fund.
- **The Tire Recycling and Management Regulation** (206/96) authorizes the Tire Recycling Management Association to levy the Advance Disposal Surcharge, which is to be used to provide or pay for any or all of the following:
  - a scrap tire waste minimization and recycling program;
  - education programs for the purpose of the scrap tire minimization and recycling programs;
  - expenditures on the collection, transportation, storage, processing and disposal of scrap tires;
  - research and development activities related to scrap tire management;
  - promotion of the uses of recycled scrap tire materials and products.

In addition to its legislative mandate, the TRMA must meet its obligations under the Societies Act. The TRMA reports to its membership at the Annual General Meeting and through the Director appointed by each member. The TRMA was incorporated in October 1996 to replace the Tire Recycling Management Board, which had been established by the Government of Alberta in July 1992.

# Executive Director's Report

## V. Executive Director's Report

The theme of this year's Annual Report "What does 20 million tires recycled mean to you?" is intended to communicate two messages:

- The first message is that Alberta's tire recycling program is working successfully. This is demonstrated by 20 million tires having been recycled by an industry that was non-existent 10 years ago.
- The second message is that Albertans benefit from the program well beyond the \$4.00 per tire environmental levy that has made tire recycling possible. These benefits have been summarized in the Chairman's Report on page 6.

The results for 2000/01 support both of the above messages. The year 2000/01 was one of continued progress towards the goals of Alberta's tire recycling program, but in a period characterized by fluctuations that are typical of an industry that is still maturing.

The graph below summarizes the cumulative number of scrap tires processed in Alberta since the program began in 1992. The first milestone of 1 million tires processed occurred in 1995, with 5 million processed by 1996, 10 million processed in 1998, and 20 million in 2001.

**Total number of scrap tires processed in Alberta**  
(Cumulative Passenger Tire Equivalents - PTEs\*)



\*PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs. (22 lbs.) of tire material. For example, there are 100 PTEs in one tonne of tires.



## **2000/2001 Highlights:**

### **Industry Production Levels**

In 2000/01, Alberta's tire recyclers processed 2.83 million tires, and progress was made on all of the Goals established in the TRMA's Business Plan. The production of large volumes of high quality rubber crumb, which is the foundation of a successful value-added tire recycling industry, was very strong and bodes well for the continued growth of Alberta's tire recycling industry. Similarly, the demand for the use of tire shred in civil engineering projects remained strong.

In two areas, the industry output did not reach the levels that had been projected, as is shown in the analysis of the annual performance targets in the following section on Goals and Performance Measures. The total number of tires recycled and the output of manufactured product were less than originally projected. However, the overall results verify that the TRMA's funding policies and strategies are effective and headed in the right direction at a more than acceptable pace.

More information on expenditures under TRMA programs can be found under Performance Measures, starting on page 17, and Strategies, starting on page 23.

### **Rubber-Modified Asphalt Pavement**

The use of recycled tire rubber to improve the performance of the asphalt pavement in Alberta's roads is an idea whose time has come. The TRMA undertook a major investigation of the new technologies that are being used with great success in a number of places around the world. These technologies are a substantial improvement over that which was tried in Alberta and elsewhere years ago.

Based on that investigation, the TRMA has initiated a partnership with Alberta Transportation to test the use of rubber-modified asphalt under the extreme conditions that we experience in Alberta. A steering committee of municipal and technical experts has been assembled to assess the progress one step at a time to ensure that the project is well developed and viable. Preparations are underway to run the test in early summer 2002.

### **Municipal Millennium Demonstration Projects**

The Municipal Millennium Demonstration Project was implemented to provide an opportunity for communities and not-for-profit organizations to demonstrate the types of recycled rubber materials that have been manufactured from Alberta scrap tires. Alberta municipalities invest tremendous effort and resources in recycling. These projects bring recycled tire products "full circle" back to communities, so Albertans can see and benefit from the results of their efforts. A total of sixteen projects in the following municipalities were awarded with up to \$20,000 in funding for the purchase of rubber materials:

Airdrie	Debolt	Red Deer
Ardrossan	Falher	Redwater
Bassano	Hanna	Redwood Meadows
Beaumont	Jasper	Vermilion
Claresholm	Pincher Creek	Taber
Rocky Mountain House		

### **Financial Administration Services**

In July 2000, the TRMA engaged the services of KPMG Consulting LLP to provide financial services including revenue collection and compliance, expenditure administration and compliance, and professional accounting support services.

For the year 2000/01, the TRMA engaged the services of Kingston Ross Pasnak LLP Chartered Accountants to be the financial auditor of the TRMA.

### **Goods & Services Tax**

In early 2001, the TRMA received a ruling from Canada Customs and Revenue Agency verifying that revenues expended under the TRMA programs were not subject to the GST. In previous years, the TRMA had indicated in the notes to the audited financial statements that this issue was under review and the TRMA disclosed a potential liability. This is no longer applicable.



# Business Plan

## VI. Business Plan

The TRMA uses a three-year rolling Business Plan to enable it to fulfill its legislative mandate to collect the fee and use the revenues to manage the scrap tire issues and enhance tire recycling in Alberta. The current Business Plan is based on three goals, with specific performance measures and annual targets relating to tire recycling volumes, accountability and effective management.

### **Vision**

A self-sufficient tire recycling industry that is the model of environmental excellence.

### **Mission**

To manage scrap tire recycling in the best interests of Albertans.

### **Operating Principles**

- Accountability  
To be fully responsible to the Government of Alberta, TRMA member organizations and Albertans.
- Resource Stewardship  
To develop environmentally and economically sound solutions for Alberta.
- Transparency  
To be open in communicating TRMA policies, strategies and results.
- Cooperation  
To build proactive partnerships to enhance solutions for Alberta's scrap tires.
- Effectiveness  
To ensure that TRMA policies, programs and operations are efficient and effective.

### **Core Businesses**

*Management of Scrap Tires* - Develop efficient, effective, economic and environmentally sound solutions to deal with Alberta's scrap tires.

*Scrap Tire Recycling Program* - Provide funding to the scrap tire processing and recycling industry, for scrap tire material successfully processed and used in an environmentally acceptable manner.

*Administer the Tire Recycling and Management Fund* - Effectively manage and utilize the fund in fulfillment of the TRMA's mandate.

## **Business Drivers**

A number of factors shape the TRMA's business plan:

*Market forces* - The achievement of the TRMA Goals and Performance Measures are directly dependent upon the ability of recycling businesses to survive and grow. Consumer and market response to recycled products and uses is also critical. All of these ultimately affect the cost and volumes of tire recycling.

*Fiscal management* - The TRMA must develop solutions that are within the scope of revenues generated from the surcharge and the fund, including the recycling funding programs, research and development, public education, market development and operations.

*Control of scrap tires* - The TRMA does not have regulatory authority or other direct control over scrap tires, which lies with the owner of the tires.

*Processing limitations* - Tire recycling is a relatively new industry and there are limits to what the available equipment can process in terms of types of tires and types of products.

*Technological limitations* - Due to the limits to current processing technology, the TRMA needs to support research into the development of different potential new technologies that emerge.

*Stakeholder Participation* - To achieve effective solutions, the TRMA works cooperatively with stakeholders including tire and motor vehicle dealers, local governments, regional waste management authorities, fire and health authorities, and landfill operators. At the same time, the TRMA works with tire recycling companies to ensure the development of the tire recycling industry, as well as supporting research and development on new recycling technologies and uses.

## **Goals**

- 1. Develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.**
- 2. Encourage the development of a self-sufficient tire recycling solution in Alberta.**
- 3. Ensure full accountability for the Tire Recycling Management Association of Alberta.**

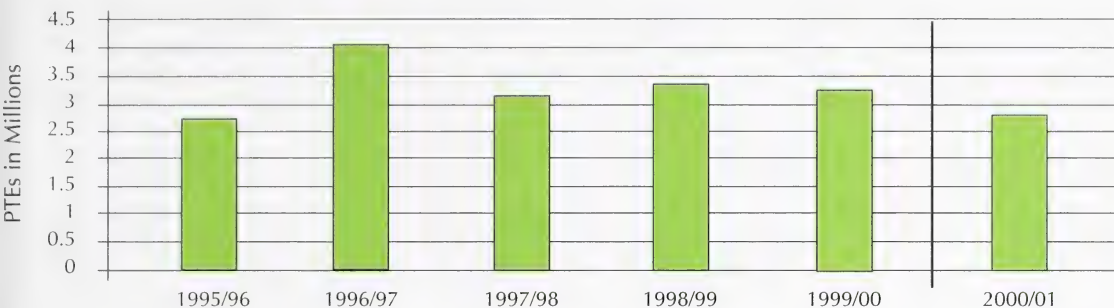
As part of the annual business planning cycle, annual performance targets are set for each Goal before the start of the fiscal year. These annual targets are reported against at the end of the year in the Annual Report, to measure progress towards the goals in the Business Plan. The analysis of the results achieved against the annual performance targets for 2000/2001 are presented in the Executive Director's Report.



**Goal 1:**

Develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.

**Performance Measure 1.1:** The total number of eligible scrap tires that are processed annually under TRMA programs.



1995/96 Results	2.70 million PTEs*
1996/97 Results	4.04 million PTEs
1997/98 Results	3.10 million PTEs
1998/99 Results	3.38 million PTEs
1999/00 Results	3.25 million PTEs
2000/01 Results	2.83 million PTEs
(Target	3.25 million PTEs)

\*PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs. (22 lbs.) of tire material. For example, there are 100 PTEs in one tonne of tires.

**Comment:**

The total amount of tires processed was 2.83 million PTEs, less than the target of 3.25 million PTEs. In spite of this, there did not appear to be an increase in stockpile volumes across the province due to scrap tires not being collected.

Generally, the demand for recycled tire material, while volatile, continued to absorb all eligible material. In the coming year, volumes should rebound with the processing of additional off-road tires, previously not under the program.

**Performance Measure 1.2:** The proportion of the total number of scrap tires that are processed annually under TRMA programs that go into Manufactured Product, Rubber Crumb, Civil Engineering and Tire-Derived Fuel. (Definitions below table)

	Manufactured Product	Rubber Crumb	Civil Engineering	Tire-Derived Fuel*
1995/96	9%	11%	32%	48%
1996/97	9%	21%	43%	27%
1997/98	21%	21%	50%	8%
1998/99	14%	25%	61%	-
1999/00	22%	39%	39%	-
2000/01	12%	42%	46%	-
(Target)	(18%)	(42%)	(40%)	-

*Manufactured Product* - Products made from rubber crumb, such as molded bricks, dairy mattresses, and coatings.

*Rubber Crumb* - Particles of rubber ground from shredded scrap tires - from pea-gravel size down to the consistency of flour - with the steel and fibre components removed. Uses for rubber crumb include feedstock to manufacturers and crumb applications such as playground surfaces (i.e. sand replacement).

*Civil Engineering* - The use of tire "shred" as value-added material in civil engineering projects because of its superior characteristics (i.e. drainage, insulation, lightweight).

*Tire "shred"* - pieces of mechanically cut-up tires, usually 1" or 2" chunks.

*Tire-Derived Fuel (TDF)* - The use of scrap tire material as fuel - either in the form of whole tires or tire shred - to recover the energy from the incineration of the rubber, is used worldwide.

\*TRMA made two key policy decisions to move away from funding TDF and towards value-added recycling.

- The funding of whole tire TDF used in Alberta was discontinued in August 1995.
- The funding of TDF shred exported to the U.S. was discontinued in December 1997.

### Comment:

Encouraging "value-added processing" of scrap tires in Alberta is a key funding strategy of the TRMA in the development of a stronger, more diverse sustainable industry. The industry will also provide more valuable jobs for Albertans and increase the value and range of recycled rubber products available to Albertans. The results of value-added processing in 2000/01 was mixed.

### Manufactured Product

The proportion of recycled tires going into manufactured product was 12%, less than the target of 18%.

- Manufactured product has been erratic over the past five years, and the industry again experienced business challenges that impeded output. Generally, the demand for product is growing, and manufacturing output should rebound.

### Rubber Crumb

The proportion of tires recycled into rubber crumb processed was 42%, on target for 2000/01. The "rubber crumb" results achieved target due to consistent demand for Alberta crumb both in Alberta (loose crumb) markets and export (manufacturing feedstock) markets.

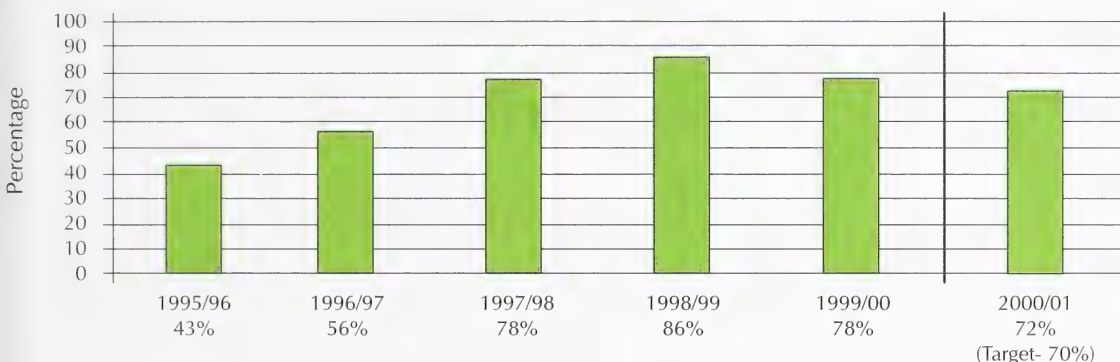
The outlook for crumb remains positive because of strong processing quality and capacity and growing overall demand.



### Civil Engineering

- The proportion of tires recycled into civil engineering shred was 46%, more than the target of 40%
- Civil engineering provides a "backstop" which is used to recycle scrap tires that are not used in value-added processing, and increases when there is excess material available. Lower manufacturing volumes resulted in more material being used in civil engineering projects.
- It is expected that landfill demand will continue to use all excess shred material as long as there is a financial benefit.

**Performance Measure 1.3:** The proportion of the total number of scrap tires processed annually under TRMA Programs that go into Alberta end uses or Alberta-made products.



### Comment:

Because "public" funding supports tire recycling, the TRMA wants to keep as much of the benefit of that funding in Alberta as possible, without compromising the industry's ability to pursue value-added markets whether within or outside of Alberta.

The proportion of recycled tires used in Alberta was 72%, slightly greater than the target of 70%. The target was met through and a growing Alberta market for "loose crumb" (playgrounds, artificial sports turf base, running tracks), and continued strong demand for civil engineering shred. The level of recycled product used in Alberta should be sustainable and grow gradually.

## **GOAL 2:**

**Encourage the development of a self-sufficient tire recycling solution in Alberta.**

**Performance Measure 2.1:** Report on the results of TRMA policies, strategies and programs, using financial projections (5 to 10 years), showing future levels of the Surcharge, the Fund and, and total expenditures.

### **Comment:**

TRMA policies, strategies and programs are directed towards encouraging value-added processing as a way of industry generating increased profitability and sustainability.

The TRMA has developed a comprehensive financial model, which it has used to develop projections to be used during the annual Business Planning process to review and revise strategies on TRMA funding relative to industry sustainability.

**Performance Measure 2.2:** Total annual operating and processing expenditures do not exceed total annual Surcharge revenues.

### **Comment:**

Total annual operating and processing expenditures were \$10,402,498\*, less than total annual surcharge revenues of \$11,756,496.

- Operating and processing expenditures include Surcharge Collection, Recycling Payments, Program Delivery and Administration.

## **GOAL 3:**

**Ensure full accountability for the Tire Recycling Management Association of Alberta.**

**Performance Measure 3.1:** Report against the TRMA's comprehensive accountability framework and act on any incomplete requirements.

- |                                    |  |
|------------------------------------|--|
| • Assessment Operations Policy     | • Framework Policy                       |
| • Audit Committee Policy           | • Investment Fund Management Policy      |
| • Board Governance Policy          | • Personnel Operations Policy            |
| • Communications Operations Policy | • Program Compliance Review Procedure    |
| • Conflict of Interest Policy      | • Recycling & Disposal Operations Policy |
| • Corporate Operations Policy      | • Remuneration & Expense Policy          |
| • Enforcement Operations Policy    | • Surcharge Compliance Procedure         |
| • Financial Operations Policy      | • Surcharge Operations Policy            |

### **Administration Procedures**

- Data Management and Disaster Recovery System
- Records Management and Freedom of Information and Protection of Privacy Systems



**Comment:**

The TRMA has developed an accountability framework to ensure that it meets its delegated responsibilities through accountability to the Provincial Government and to TRMA member organizations.

The TRMA accountability framework is linked to that of Alberta Environment in terms of reporting, feedback and response.

The TRMA is committed to reporting regularly to Albertans in general on its performance and accountability.

The TRMA is still evolving in its role as a 'Delegated Administrative Organization'. As circumstances change, policies will be revised as required.

**Performance Measure 3.2:** Monitor and respond to changes in the longer-term policy requirements for the Tire Recycling and Management Fund (the Fund).

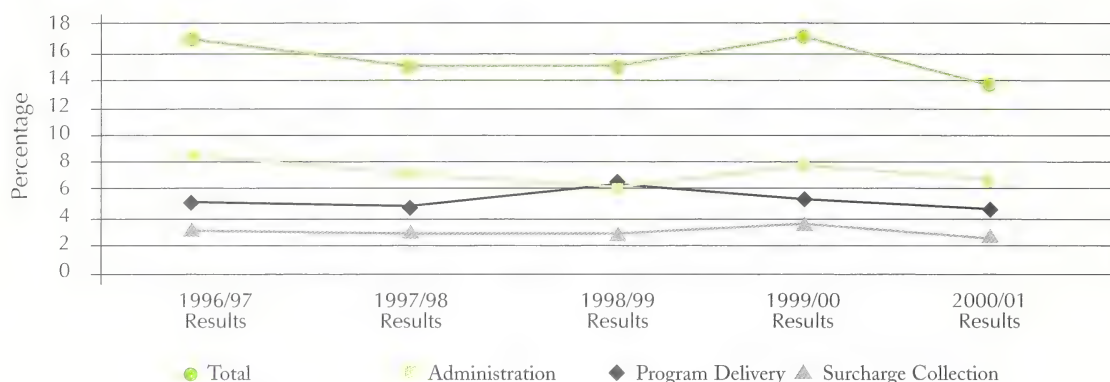
**Comment:**

The Government of Alberta established the Fund so that adequate revenues would be available to resolve Alberta's scrap tire challenge. There are a number of major policy issues that have substantial potential funding implications.

The financial model is being used to redefine the appropriate level for the Fund and the Surcharge going into the future, having regard to the following issues:

- The business requirements and funding obligations of the TRMA for both ongoing operations and final wind-up of operations.
- The Fund provides a measure of stability to encourage private sector investment in the tire recycling industry.
- The Fund allows the support of major research and development, and public education and communication initiatives
- The Fund provides the ability to modify policies and programs in response to major new developments and opportunities, for example the recycling of agriculture tires and other off-road tires currently exempt from the Surcharge.

**Performance Measure 3.3:** The operation costs of the TRMA - consisting of Surcharge collection, program delivery and administration, as defined below - expressed as a percent of annual Surcharge revenues.



	Total	Surcharge Collection	Program Delivery	Administration
1996/97	17.0%	3.2%	5.2%	8.6%
1997/98	15.3%	3.0%	5.0%	7.3%
1998/99	15.3%	2.9%	6.3%	6.1%
1999/00	17.0%	3.7%	5.5%	7.8%
2000/01	13.8%	2.5%	4.7%	6.6%
(Targets)	(14.7%)	(3.1%)	(5.1%)	(6.5%)

#### Definition of Headings:

*Surcharge Collection* - The cost of collecting the Surcharge on the sale of over 2.5 million tires annually, as remitted by 1800 registrants throughout Alberta, and including registration, compliance, and recovery actions.

*Program Delivery* - The direct cost of operating the TRMA funding programs, including the evaluation, approval and compliance monitoring of the collection, processing, and use of recycled scrap tire material, as well as developmental projects.

*Administration* - Expenditures resulting from the general administration of the TRMA including activities of the Board of Directors and Association, staff, communications, computer systems, space, supplies, and overhead expenses, but excluding amortization.

*Total* - The total of the above three categories, as defined, which represents the cost to operate the TRMA. (Expenditures that are not included in "operation costs" but which are included in the financial statements are: payments to tire recyclers under the Incentive Program; payments to funding recipients under the Developmental Programs; and amortization and investment management fees deducted from investment earnings.)

#### Comments:

By monitoring and controlling the costs of its operations, the TRMA can ensure that the administration of its mandate is done effectively and efficiently.

The proportion of total operation expenditures was 13.8%, under the target of 14.7%.

Surcharge Collection expenditures of 2.5% were under the target of 3.1%.

Program Delivery costs of 4.7% were under the target of 5.1%.

Administration expenditures of 6.6% were slightly above the target of 6.5%.



## Strategies

The TRMA has developed and implemented Strategies that are the mechanisms through which it achieves the Business Plan Goals. The Strategies are as follows:

### 1. Tire Recycling Incentives Program

The Tire Recycling Incentives Program is the TRMA's primary strategy for the achievement of its goals to recycle scrap tires. The program provides performance-based incentives to companies in Alberta based on the amount of eligible scrap tires that are successfully recycled.

There are three major incentive rates, for each level of processed material:

- Tire Shred* - the collection and shredding of scrap tires to specific standards;
- Rubber Crumb* - grinding of shred into rubber crumb, free of excess fibre and steel;
- Rubber Manufactured Products* - products made using rubber crumb.

There are two other secondary incentives:

- Alberta End Use* - to help offset incremental costs of using recycled rubber/tire material in public projects;
- Fabricated (Cut-Tire) Products* - to assist small-scale recyclers who manually fabricate products out of scrap tires (e.g. planters, composters, and rubber strip mat).

For 2000/01, Incentive Program expenditures totalled \$8,717,640 which was \$1.7 million less than budgeted, primarily due to lower total processing volumes by the industry plus lower than budgeted levels of manufacturing output.

Improvements were made in the following areas of Program management, as identified in the Business Plan Strategy priorities:

- Enhanced processor compliance requirements;
- Review of matters relating to the issue of cross-border movement of scrap tires;
- Monitoring of the Incentive rate structure relative to the state of the industry.



## **2. Tire Recycling Development Programs**

Further development is required in the areas of processing technologies, products and markets. The TRMA has established programs backed by an annual budgetary commitment to facilitate development where appropriate. The Tire Recycling Development Programs are designed to help overcome the major barriers to growth in this new industry.

- *Research and Development Program* - The TRMA provides matching funding to approved projects, which investigate the development of new tire recycling technologies.
- *Recycling Technology Upgrading Program* - The TRMA provides matching funding to Alberta tire recyclers for approved projects to improve processing equipment and technology.
- *Business Development Program* - The TRMA provides matching funding to Alberta tire recyclers for approved market, product and business development initiatives. (This program will be replaced by a market development program in 2001/02)
- *Tire Recycling Pilot Projects* are undertaken to address new issues that arise related to the management, processing and recycling of scrap tires, including:
  - Tests and verification of new recycling processes, uses and products to assess their effectiveness and potential inclusion in the TRMA funding strategies and programs.
  - Demonstration projects for recycling products and opportunities that reinforce the achievement of TRMA goals.
  - Projects to address issues related to scrap tire stockpiles.

For 2000/01, Development Program expenditures totalled \$638,018 which was \$317,000 less than budgeted. Expenditure levels under this program are determined by the number and type of applications received from industry and research agencies.

The following priorities identified in the Business Plan Strategies were met:

- Rubber Asphalt project developed and in the implementation process;
- Final phase of the Turf Grass Project through Olds College underway;
- Technology Upgrading Program reviewed and modified;
- New Market Development Program being finalized through industry consultation;
- Second phase of Millennium Project approved and implemented;
- Second phase of 4H Showing Matting Demonstration Project implemented, then suspended due to threat of foot and mouth disease.
- Off-road tires are being processed on an on-going basis under a pilot project.

## **3. Tire Recycling Information**

Because tire recycling is an emerging industry, information and expertise is often not immediately accessible. The TRMA actively gathers information and develops networks in order to access and share knowledge on tire recycling issues including: tire recycling technologies; products, uses and markets; industry economics and business management; scrap tire flows and inventories; and funding policies. The purpose of the strategy is:

- to monitor the effectiveness of TRMA policies and strategies with respect to achieving the TRMA's goals;
- to support the development of the tire recycling industry and markets;
- to enhance Albertans' awareness of recycled tire products and uses; and
- to ensure that tire recycling in Alberta benefits from expertise and developments elsewhere in Canada and internationally, while allowing others access to the expertise and experience from Alberta.



The following priorities identified in the Business Plan Strategies were met:

- A scrap tire management information system is being developed to enhance analysis of tire recycling;
- The Communications Strategy was reviewed and revised;
- Involvement with the Canadian Association of Tire Recycling Agencies (CATRA) and international tire recycling organizations, especially relating to rubber asphalt, was continued and enhanced;
- Participation continued in conferences, workshops, trade shows and presentations regarding tire recycling and Alberta's program;
- Work continues on the guidelines for the use of recycled tire material such as loose crumb in playgrounds [incomplete].

#### **4. Surcharge Compliance and Collection Systems**

The TRMA has implemented several accounting and tracking systems to fulfill its mandate regarding complete collection of the Advance Disposal Surcharge. The key strategies related to this include:

- A system for registering the 1800 companies which are required to remit the surcharge on the retail sales of new tires (such as tire dealers, car and truck dealers, trailer dealers and manufacturers, automotive service companies, auto body repair shops, trucking and transportation companies, and vehicle leasing companies).
- Contracted administration of the surcharge remittance system. Specific system has been implemented to ensure completeness of the surcharge revenue collection. These include:
  - Compliance reviews to ensure that retailers are making proper and timely remittances of the surcharge collected.
  - A formal Compliance, Assessment and Collection procedure to ensure that any overdue surcharge remittances are effectively dealt with.

The following priorities identified in the Business Plan Strategies were met:

- Surcharge compliance, assessment and collection processes were enhanced;
- Alternatives to the Tire Collection Form are being reviewed, to minimize administrative burden and increase accuracy [incomplete].

#### **5. Investment Management and Financial Administration**

The TRMA is charged with the administration of the Tire Recycling and Management Fund in which surcharge revenue, plus related revenues such as interest earnings are held. The TRMA has established instruments and procedures to ensure proper financial management and accountability.

An Investment Charter and Policy has been established by the Board to ensure the proper security and investment of the Tire Recycling and Management Fund. The Fund is managed by professional investment managers under contracts set in accordance with the Charter and Policy. The TRMA prepares an Annual Investment Management Report as required by the Charter.

A comprehensive financial administration system is maintained to manage revenues and expenditures from TRMA operations.

The following priorities identified in the Business Plan Strategies were met:

- A major review of information technology needs is underway;
- The budget reporting system has been revised;
- A management and accountability timetable has been developed;
- Work is proceeding on FOIPP procedures [incomplete].

# Financial Statements

## Auditors' Report

To the members of Tire Recycling Management Association of Alberta.

We have audited the statement of financial position of Tire Recycling Management Association of Alberta as at March 31, 2001 and the statements of revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

*Kingston Ross Pasnak LLP*

Kingston Ross Pasnak  
Chartered Accountants LLP

Edmonton, Canada  
May 30, 2001

## VII. Audited Financial Statements

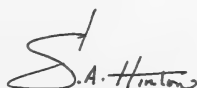
### Tire Recycling Management Association of Alberta - Statement of Financial Position

March 31, 2001, with comparative figures for 2000

	2001	2000
<b>Assets</b>		
<i>Current assets</i>		
Cash	\$ 1,461,548	\$ 802,165
Accounts receivable (note 3)	964,130	1,211,154
Prepaid expenses	25,792	25,341
	2,451,470	2,038,660
Investments (note 4)	26,223,060	24,465,659
Capital assets (note 5)	85,510	113,200
	<b>\$28,760,040</b>	<b>\$26,617,519</b>
<b>Liabilities and Net Assets</b>		
<i>Current liabilities:</i>		
Payable to recyclers	\$ 443,352	\$ 568,536
Accounts payable and accrued liabilities	269,628	361,318
	712,980	929,854
<i>Net assets:</i>		
Unrestricted	27,961,550	25,574,465
Investment in capital assets	85,510	113,200
	28,047,060	25,687,665
Commitments (note 6)	<b>\$28,760,040</b>	<b>\$26,617,519</b>

See accompanying notes to financial statements.

On behalf of the Board:



Chairman



Secretary Treasurer



# **Tire Recycling Management Association of Alberta - Statement of Revenue and Expenditures**

Year ended March 31, 2001, with comparative figures for 2000

	2001 Budget Unaudited	2001 Actual	2000 Actual
<b>Revenues:</b>			
Advance disposal surcharges (note 3)	\$11,700,000	\$11,756,496	\$11,013,897
Less:			
Surcharge compliance and collection	(467,004)	(294,371)	(404,057)
Allowance for and write off of uncollectible accounts	(2,500)	(125,844)	(61,042)
	11,230,496	11,336,281	10,548,798
Investment income	1,334,019	1,941,585	1,301,777
Less: Investment management costs	(154,469)	(127,334)	(171,067)
	1,179,550	1,814,251	1,130,710
Total revenues	12,410,046	13,150,532	11,679,508
<b>Expenditures:</b>			
Scrap tire processing:			
Tire Recycling Incentive programs	10,400,000	8,717,640	9,919,530
Tire Recycling Development programs	1,000,000	683,018	732,472
Recycling program delivery (note 7)	672,000	549,712	573,793
	12,072,000	9,950,370	11,225,795
Administration:			
Board expenses (note 7)	213,725	209,582	199,335
Staff and contracted services compensation (note 7)	224,000	208,644	238,698
Fees and services	335,812	351,909	454,284
Amortization of capital assets	70,000	70,632	69,715
	843,537	840,767	962,032
Total expenditures	12,915,537	10,791,137	12,187,827
Excess (deficiency) of revenues over expenditures	\$ (505,491)	\$ 2,359,395	\$ (508,319)

See accompanying notes to financial statements.

**Tire Recycling Management Association of Alberta - Statement of Changes in Net Assets**

Year ended March 31, 2001, with comparative figures for 2000

	Capital assets	Unrestricted	2001 Total	2000 Total
Net assets, beginning of the year	\$113,200	\$ 25,574,465	\$ 25,687,665	\$ 26,195,984
Excess (deficiency) of revenues over expenditures	-	2,359,395	2,359,395	(508,319)
Amortization of capital assets	(70,632)	70,632	-	-
Investment in capital assets	42,942	(42,942)	-	-
Net assets, end of year	\$ 85,510	\$ 27,961,550	\$ 28,047,060	\$ 25,687,665

See accompanying notes to financial statements.

## Tire Recycling Management Association of Alberta - Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
<b>Cash flows from operating activities:</b>		
Advance disposal surcharges collected	\$ 12,003, 519	\$ 11,018,436
Surcharge collection costs	(510,549)	(349,601)
Scrap tire processing	(10,075,129)	(11,156,097)
Administration	(764,561)	(867,921)
	653,280	(1,355,183)
<b>Cash flows from investing activities:</b>		
Investment income	1,941,585	1,301,909
Investment management costs	(149,128)	(166,857)
Acquisition of capital assets	(28,953)	(64,990)
Net purchases of investments	(1,757,401)	(1,180,439)
	6,103	(110,377)
Cash provided (required)	659,383	(1,465,560)
Cash, beginning of year	802,165	2,267,725
Cash, end of year	\$ 1,461,548	\$ 802,165

See accompanying notes to financial statements.



## **Tire Recycling Management Association of Alberta - Notes to Financial Statements**

Year ended March 31, 2001

### **1. Authority and purpose:**

The Tire Recycling Management Association of Alberta ("the Association") was incorporated under the Societies Act of the Province of Alberta on October 3, 1996. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements pursuant to Section 149 (1)(l) of the Income Tax Act. Pursuant to the Tire Recycling and Management Regulation, Alberta Regulation 206/96, the Association has been delegated responsibility to administer the Tire Recycling and Management Fund and to establish and administer a scrap tire waste minimization and recycling program for Alberta in accordance with sound environmental principles.

### **2. Significant accounting policies:**

The Association bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

#### *a) Revenue recognition:*

The Tire Recycling and Management Regulation, Alberta Regulation 206/96 requires retail registrants to remit to the Association an Advance Disposal Surcharge on prescribed new tires supplied. Revenue is recognized by the Association at the time the tires are supplied.

#### *b) Measurement uncertainty:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant area requiring the use of management estimates relates to the Advance Disposal Surcharges.

#### *c) Financial instruments:*

The Association's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest or currency risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

##### *Credit Risk*

Credit risk arises from the potential that a registrant will fail to perform its obligations. The Association is exposed to credit risk from its registrants. However, the Association has a large number of registrants, which minimizes the concentration of credit risk.

## Tire Recycling Management Association of Alberta - Notes to Financial Statements, continued

Year ended March 31, 2001

### 2. Significant accounting policies, continued:

#### d) *Investments:*

Investments are recorded at cost. Pooled fund investments include money market, debt and equity-based pooled funds that are widely held and diversified. Investment income on pooled funds is recognized when distributed by the fund. Other interest income is recognized when earned. A loss in value of the the investment portfolio, other than a temporary decline, is recorded as an expense in the period that it is determined.

#### e) *Capital assets:*

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment and software	3 years
Furniture and fixtures	5 years

#### f) *Goods and Services Tax:*

Payments made to recyclers are considered grants and not consideration for supplies. Therefore, these payments are not subject to tax under the Excise Tax Act.

#### g) *Statement of cash flows:*

The Association is using the direct method in its presentation of the statement of cash flows.

### 3. Accounts receivable:

Accounts receivable represents management's estimate of Advance Disposal Surcharges which should have been or have been remitted by retail registrants but not yet reported to the Association. The estimate is based primarily upon average monthly remittances and the number of months not reported plus accrued interest.

### 4. Investments:

	Coupon rate	Maturity	Face value	Market value	Carrying value
Bonds and debentures	4.875%	06/02/2003			
	to 8.00%	to 06/01/2023	\$7,785,000	\$7,887,775	\$7,722,557
Treasury Bill	6.00%	04/26/2001	100,000	99,341	99,341
Securities:					
Canadian				3,279,014	2,904,854
Foreign				1,446,707	1,374,823
				4,725,721	4,279,677

**Tire Recycling Management Association of Alberta - Notes to Financial Statements, continued**

Year ended March 31, 2001

**4. Investments, continued:**

Accrued income	121,701	121,701
Pooled funds	12,913,607	13,976,160
Cash with custodian	23,624	23,624
Total investments - 2001	\$25,771,769	\$26,223,060
Total investments - 2000	\$24,658,852	\$24,465,659

**5. Capital assets:**

	Cost	Accumulated amortization	2001 Net book value	2000 Net book value
Computer equipment and software	\$278,041	\$222,883	\$55,158	\$83,877
Furniture and fixtures	66,328	35,976	30,352	29,323
	\$344,369	\$258,859	\$85,510	\$113,200

**6. Commitments:**

The Association has a contract with a private sector company to February 2004 based on scrap tires processed and sold as recycled rubber crumb or product. The annual payments under this contract are projected at \$3,020,000. The Association has an annual exit option on this contract on February of each year.

Under the terms of a financial service and use agreement expiring July 31, 2001, the Association is charged a fee for provision of financial administration services of the controller and various staff. In addition, the Association entered into an agreement for office space to June 2005. The minimum lease payments required under these agreements in future years are as follows:

	Financial Service	Facilities	Total
2002	\$ 91,666	\$ 22,219	\$ 113,885
2003	-	22,709	22,709
2004	-	23,363	23,363
2005	-	23,526	23,526
	\$ 91,666	\$ 91,817	\$ 183,483



## **Tire Recycling Management Association of Alberta - Notes to Financial Statements, continued**

Year ended March 31, 2001

### **7. Compensation:**

As required under the Tire Recycling and Management Regulation, Alberta Regulation 206/96, the remuneration and benefits paid to all members of the Board of Directors (on an individual basis by name) and to all management personnel who report directly to one or more members of the Board of Directors (on an aggregate basis) are as follows:

	2001
<b>Board of directors' honoraria and benefits (included in board expenses):</b>	
Mr. Ken Albrecht (Chairman to November 2000)	\$ 30,792
Ms. Holly Brockmeyer	11,908
Mr. John Cosco	-
Mr. Merv Domanko	14,063
Ms. Jillian Flett (From January 2001)	-
Mr. Sid Hinton (Chairman from November 2000)	13,472
Mr. Jim Kallal (Secretary/Treasurer)	22,305
Mr. Myles Kitagawa (From September 2000)	4,682
Mr. Lorne Olsvik	10,883
Mr. Fred Schulte (To January 2001)	-
Mr. Al Schulz	10,393
Mr. Dan Smith (To August 2000)	3,787
	122,285
Executive Director salary	84,000
Benefits salary	9,268
(allocated between recycling program delivery and staff and contracted services compensation)	
	<b>\$ 93,268</b>

### **8. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The comparative figures were audited by another public accountant.

What does

TRMA

20 million

Annual Report

tires recycled

2000-2001

mean to you?





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Management  
Association  
of Alberta

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